



## Staff Report

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File #: REPORT 19-0302, Version: 1

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Honorable Mayor and Members of the Hermosa Beach City Council  
Regular Meeting of May 14, 2019

**CONSIDERATION OF ARAKELIAN ENTERPRISES  
(ATHENS SERVICES) REQUEST FOR AN ANNUAL  
RATE ADJUSTMENT TO THE MAXIMUM RATES  
FOR SOLID WASTE MANAGEMENT SERVICES**

(Environmental Analyst Kristy Morris)

**Recommended Action:**

Staff recommends that the City Council endorse the rate adjustments proposed by Athens Services for its services not to exceed the attached rate schedule effective July 1, 2019 for residential and commercial cart and bin rates.

**Executive Summary:**

Since entering into the Franchise Agreement with Athens Services effective July 1, 2013, there have been five (5) solid waste rate adjustments implemented in accordance with the rate adjustment methodology contained in Section 6 of the Agreement. The most recent rate increase was approved by City Council at its meeting on September 17, 2018. If approved, this annual rate increase would become effective July 1, 2019 and result in a 1.64% increase in cart and bin rates and compactor roll-off and disposal rates will increase by 0.25%.

**Background:**

The City has contracted with Athens Services ("Athens") to provide residential and commercial waste disposal services to Hermosa Beach since July 1, 2013. Athens may request an annual adjustment to the maximum rates by March 1 of each year. Rate adjustments are calculated in accordance with Section 6.4 of the Franchise Agreement and subject to the approval of the City Manager and City Council. The most recent rate schedule adjustment was approved by City Council at their meeting on September 17, 2018 and became retroactively effective on July 1, 2018 (**Attachment 1**).

Section 6.4 of the Franchise Agreement allows for Athens Services to submit and calculate annual rate adjustment requests in a format that is specified in the Franchise Agreement. This format takes into account changes in indices for labor, fuel, equipment, disposal, transformation, and all urban consumers.

**Analysis:**

The Franchise Agreement prescribes the format by which Athens Services can request an annual rate adjustment. Rate years run from July 1 through June 30 of the following year. In order to consider an annual rate adjustment for an upcoming rate year, Athens Services must submit a written request to the City by March 1 each year. Staff reviewed the annual rate adjustment request dated February 28, 2019 (**Attachment 3**) according to the rate adjustment methodology outlined in Section 6.4 of the Agreement. The rate adjustment calculations are performed separately for the three service categories consisting of carts (single-family service), bins (multi-family and commercial service), and roll-off boxes.

Solid waste rates consist of the cost categories shown in the table below and each cost category is adjusted by the change in its corresponding index as listed.

Cost Category	Rate Adjustment Factor
Labor	Employment Cost Index CIU20100005200000I, Total compensation, Private industry, Index number, Transportation and material moving
Fuel	Producer Price Index WPU 0531, Not seasonally adjusted, Fuels and related products and power, natural gas
Equipment	Producer Price Index, PCU336120336120, Heavy duty truck manufacturing
Processing/Disposal	Consumer Price Index for All Urban Consumers (CUUR0000SA0L1E), all items less food and energy index - U.S. city average or 5%, whichever is lower
All Other	Consumer Price Index for All Urban Consumers (CUUR0000SA0L1E), all items less food and energy index - U.S. city average

Staff reviewed the rates schedules and calculations and confirmed that the rate adjustments were made in accordance with the terms of the contract. Staff confirmed the accuracy of the indices and that the rate adjustment formulas are applied to the rates net of AB 939 fees.

Based on the rate adjustment methods and prescribed formulas, it was determined that the City's residential and commercial businesses will have a rate increase on July 1, 2019 of 1.64% and compactor roll-off and disposal rates will increase by 0.25% The City's tonnage rate will increase 2.03%.

**General Plan Consistency:**

This report and associated recommendations have been evaluated for their consistency with the

City's General Plan. Relevant policies are listed below:

**Sustainability and Conservation:**

*6.1 Franchise Agreements.* Ensure waste franchise agreements and program offerings provide progressively higher rates of waste diversion.

**Fiscal Impact:**

There is no fiscal impact to the City. On July 1, 2019 residential and commercial cart and bin rates will increase by 1.64%., and compactor roll-off and disposal rates will increase by 0.25% The City's tonnage rate will increase 2.03%.The fiscal impact of the rate increase on the most common bins and carts is shown here:

Cart	3-Yard Bin	64-Gallon	32- Gallon
Current Rate	\$122.07	\$11.89	\$7.43
Effective July 1, 2019	\$124.02	\$12.08	\$7.55

**Attachments:**

1. Rates schedule effective July 1, 2018
2. Rates schedule effective July 1, 2019
3. Athens Rate Adjustment Calculations for FY19-20 (Attachment added as supplemental information on 05-14-19 at 2:00 p.m.)

**Respectfully Submitted by:** Kristy Morris, Environmental Analyst

**Noted for Fiscal Impact:** Viki Copeland, Finance Director

**Approved:** Suja Lowenthal, City Manager